

The Entrepreneurship Imperative: The South Korean Experiences*

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Ladies and gentlemen, thank you all for coming this afternoon. It is a great honor to give a speech here in Saudi Arabia, a land of long history, ancient religion, rich culture, and vigorous modern economic growth.

For the past four days, there have been illuminating comments and suggestions on topics such as “Who qualifies as an entrepreneur?” “How should we encourage entrepreneurial activities” and “How does the entrepreneurship contribute to economic growth and overcoming challenges we face today?” I have been asked to share South Korea’s experiences with the entrepreneurship imperative in the capacity of a former prime minister of the nation and a scholar in economics.

Saudi Arabia has been pursuing profound changes in order to strengthen its economic growth. Economic reforms are aimed at reducing the nation’s reliance on oil revenue. For a nation with Saudi Arabia’s population size, development strategies must be qualitatively different from those for nations with much smaller populations. As an alternative to oil reserves, Saudi Arabia is now focusing on promoting entrepreneurship, which I believe is in the right direction. The entrepreneurship imperative is also the goal of South Korea’s economic policy. In this respect, the

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two nations have much in common and the need for cooperation is great, which, I understand, is the reason I have been invited to speak here today.

Before I jump to the topic, I would like to remind every one of you that it has been 50 years since Saudi Arabia and the Republic of Korea established diplomatic relations. 50 years ago, in 1962, the same year that the two countries became friends, South Korea launched a series of 5-year-economic development plans. So, this year is also the 50th anniversary of the inception of South Korea's economic development.

In 1962, South Korea's per capita GDP was 87 dollars per annum. In 2011, it posted around 23,000 dollars. Such a progress, when converted into purchasing power, took the United Kingdom and the United States over two centuries and over a century and a half, respectively, while it took South Korea only half a century.

For the last 50 years, Saudi Arabia and South Korea's economic relationship has shared impressive progress as well. In 2010, 10.7% of Saudi Arabia's exports went to South Korea. That would make South Korea the third largest customer of Saudi Arabia after the United States and Japan. On the other hand, 4.7% of Saudi Arabia's imports came from South Korea, which is the fifth in volume after the United States, China, Japan, and Germany. The amount of crude oil that South Korea imports from Saudi Arabia exceeds 2.5 times the amount imported from Kuwait. 1% of South Korea's exports are bound for Saudi Arabia. It may not seem very much yet, but the rate of increase is remarkable: South Korea's exports to Saudi Arabia increased by 117% in 2010 from 2005.

Despite the increased volume of trade between the two nations, it seems that South Korea remains rather unfamiliar to the people of Saudi Arabia. Today, I would like to introduce briefly to you the kind of lives that the Korean people have led and my views on how Saudi Arabia and South Korea can work together to create a brighter future. In that story, I hope you will find some of the answers to your questions.

To truly understand a nation, Alexis de Tocqueville, a great political thinker of the 19th century, once suggested that we must go back to its roots. So, we had better go back to 1910, the final year of the Joseon Dynasty (1392-1910). According to

writings by foreign diplomats, missionaries, and travelers who visited Korea in that era, the land was exquisitely beautiful but the Joseon Dynasty was saddled with political, social, and systemic problems. Farmers and traders often could not secure for themselves the economic value that they had created and thus had little incentive to work hard or innovate. It is nearly impossible for entrepreneurs to emerge in such an environment. Consequently, the economy was so weak that the government could not even pay the salary for its soldiers. Failing to adapt to the changing geopolitical landscape, the 500-year-old Joseon Dynasty lost its sovereignty in August 1910. For a proud people with 5,000 years of history and culture, 1910 marked the beginning of one of the darkest periods.

Korea regained independence in 1945 following the end of World War II. Unfortunately, the Cold War immediately set in, and Korea was divided into North and South Korea. In the southern half of the peninsula, the Republic of Korea was founded in 1948 under the auspices of the United Nations. The only but significant blemish to this momentous achievement was that elections could not be held north of the 38th parallel.

The joy of a new beginning was short-lived for the Republic of Korea. Only two years later, in 1950, the Korean War broke out. During three years of devastating warfare, over 4 million people were killed or wounded. The infrastructure of the economy was severely destroyed. Seoul was almost completely burnt to ashes, and orphans and refugees roamed the cities and the countryside searching for their lost love ones. Malnutrition and disease were everywhere. I still have memories of the difficult times both during and after the war.

From the devastation of the war, South Korea's GDP per capita towards the end of the 1950's was the 101st out of 125 nations. But in 2010, South Korea's per capita GDP, when converted into purchasing power, was higher than that of Italy, and approached the average per capita GDP of EU nations. Indeed, the South Korean economy is now the 14th largest around the globe, with a GDP of \$1 trillion.

How, then, did we get here? Many studies have been conducted on this topic, but I would like to share with you a few points that stand out for me personally. First,

we had great friends who cared. In response to the UN Security Council Resolution 84, 16 countries came to South Korea's aid during the Korean War. Young men and women from these far-flung lands came and shed their precious blood to defend a country they had not even known and a people they had never met. The proud flags representing these 16 countries fly daily at the War Memorial of Korea in Seoul to commemorate those courageous soldiers. After the war, our allies and the UN lent a valuable hand in rebuilding our war-torn nation. Currently, South Korean agencies and corporations implement diverse humanitarian projects in all corners of the globe to reciprocate the generosity and goodwill that we as a nation received from our dear friends around the world.

Second, a focus on education and investment in human capital was critical. With no significant natural resources or accumulated capital, South Korea had to rely on a highly educated workforce to drive economic growth. Passion for education has a long heritage in Korea. A famous anecdote will help you to understand the Korean people's attitude toward education. It involves a 16th-century scholar, Seokbong Han, who is recognized as one of the foremost calligraphers of the Joseon Dynasty. Han's mother, despite her desire to keep her son by her side, sent him to a temple in the mountain so that he could focus on practice, away from distractions. Some years later, still young and unmotivated, Han returned home one day and announced to his mother that he no longer wished to pursue calligraphy. Although she was delighted to see her son again, she was determined to see him finish his education. His mother, who was supporting Han by selling rice cake in the marketplace, proposed a contest. They would turn the candlelight off, and if Han could write calligraphy better than she could slice the rice cake in complete darkness, then he could do whatever he wanted. When they turned the candlelight back on, Han's calligraphy was tawdry at best while each piece of the rice cake sliced by his mother boasted perfect form and size. Realizing that his mother used to work in the dark to save money to provide for his education, Han returned to the temple, determined never return home until he could be the best calligrapher in Joseon.

I myself had numerous helpers and mentors who allowed me to fulfill my academic pursuits. I was born in Gongju in South Chungcheong Province, and, during my elementary school years, my family could not afford my lunches. My mother worked

at a hospital washing clothes to support my siblings and me during the tough postwar years. She kept reminding me of her confidence that a bright future awaited me so that poverty would not discourage me. I worked as a tutor since middle school years all the way through college to earn tuitions, but I never neglected my own academics. Besides my mother, I had others who imbued me with confidence throughout my youth. They all had a passion for education. Without the conviction of my supporters and professors, my academic path from Gongju to Seoul to the United States, and myself today would not have been possible.

The third factor for South Korea's rise is the "can do" or "fighting" spirit of the Korean people. This type of spirit is crucial to every successful entrepreneur. During the rapid industrialization process, many South Koreans worked tremendously hard to help themselves, their families, and their communities to climb out of poverty and built the foundation for a market-driven society. Wherever there were jobs, our young men and women went to far-away countries to grab the opportunities. In the 1960's, South Koreans went to West Germany to work as coal miners and nurses. Impressed with the Korean work ethic, the West German government was one of the first friends to extend to South Korea industrial development loans. In the 1970's, with the construction boom in the Middle East, which included Saudi Arabia, many South Korean construction workers helped to build key infrastructures and development projects in the region. The wages these workers earned and sent back home allowed their families to send their children to college.

At the end of the 1990's, South Korea overcame the Asian financial crisis in only a couple of years. The crisis of 1997-1998 was South Korea's own Great Depression. Almost a third of the nation's banks and lending institutions went under, and, in a span of months, 7% of workers were out of jobs. South Korea came out of the crisis thanks to the collective willpower of its citizens, who spent less, saved more, worked harder, increased exports, and strove to be more competitive.

With such positive achievements, where should South Korea go from here? How can we further promote entrepreneurship and sustain prosperity, hope for the future? A list of solutions would include well-educated population, many engineers, designers, and other professionals, enormous deposits of knowledge, adequate capital, strong

public education, efficient economic institutions, and legal system congenial to the promotion of entrepreneurship, etc. But I would like to emphasize that the solution can be summed up as the three more's: more openness, more confidence, and more compassion.

First, we should be “more open.” Together with knowledge, open mindedness is critical to entrepreneurship. Unlike inventors and discoverers, entrepreneurs must put their new ideas and findings into reality through the market. However, they cannot do this alone. Therefore, for more entrepreneurs to emerge, the mindset of a society must be open enough to embrace new ideas and to mobilize people quickly to work together.

I want to underscore the importance of education in creating open minds. John Locke, the great philosopher during the Enlightenment, said, “Education begins the gentleman, but reading, good company and reflection must finish him.” And I would like to add that studying or living in foreign countries can help to foster open minds.

In the past, it was OK for young people in any country to live all their lives in their own countries and expect to understand issues of the world. In a changing world, however, they must now try to go out and visit foreign lands, interact and debate with peers from different nations, and touch, feel, and taste various cultures. It will broaden their horizons immensely. If your youngsters have a chance to study overseas, meet peers from or in other nations, or volunteer for foreign lands, I strongly urge them to do so. Only then can Saudi Arabia acquire and retain the leadership in shaping new ideas and entrepreneurial solutions for the uncertain times we live in.

We need to be “more confident,” too. South Korea is no longer a hermit kingdom, dislocated from the global community. Indeed, it is a dynamic market economy. Our youngsters have shared the best of the nation with the rest of world on the international stage such as the recent Vancouver Winter Olympics and the World Cup soccer tournament. South Korean pop groups boast fans all over the world, and South Korean TV dramas and movies are enjoyed by our friends in hundreds of countries. South Korea needs to channel this new confidence into the promotion of prosperity, peace, and stability in Northeast Asia and the globe. Hopefully, we will pave the way

for the young generation of South Korea and Saudi Arabia to work together to create a much better next 50 years.

Last but not least, we must be “more compassionate.” Koreans are a compassionate people. Nevertheless, the economic system that South Korea has adopted following the IMF’s mandates during the Asian foreign exchange crisis of 1997 has been pitiless.

The neoliberal economic system, which has been prevalent in the global economy since the 1990’s, is known to bring efficient economic growth. For this system to function, economic benefits must trickle down from the haves to the have-nots; that, however, has never happened. A small number of people have monopolized the produced wealth, and the income distribution of the economy has deteriorated. The rational market, by its very nature, is not concerned with social justice and fairness. Capitalism should be rooted in sound ethics, but the economic system in the last couple of decades has not talked about ethics. After suffering from the ramifications of the global financial crisis, people who are not fortunate enough to maintain economic power have just started to question the *raison d’être* of the neoliberal economic system.

I believe that South Korea’s economic system needs to be more compassionate. While financial conglomerates are the culprits in the United States and Europe, *chaebol*, or corporate conglomerates, are at the center of problems in South Korea. Since the launch of economic development plans 50 years ago, chaebol enterprises admittedly have played vital roles in contributing to the nation’s economic growth. Nonetheless, in the neoliberal economic system, they have amassed economic power and now are grasping the shares that rightfully belong to small and medium enterprises (SMEs). This type of behavior may be advantageous for maximizing the profit of large companies but is deemed unjust by the majority of the people.

Furthermore, it is the single most important factor that interferes with the sustainable economic growth of South Korea. The nation’s SMEs employ 88% of the entire workforce. If these companies do not receive their fair share of economic wealth, household income cannot increase as much as it deservedly should. From 1970 to 1998, both corporate earnings and household income increased at an annual average

rate of 8%. On the contrary, from 2005 to 2010, corporate earnings increased by spectacular 19% per annum while increase in household income stalled at 1.6%. In this type of economic structure, economic growth in itself cannot provide solutions to stagnant household income, rising household debt, low domestic demand, and high unemployment rates. These problems can be solved only when entrepreneurs emerge to incorporate innovative SMEs. If an economic system puts sole emphasis on the expansion of corporate earnings, SMEs will not be provided with the economic wealth that they deserve. Then the spirit of entrepreneurs in the SMEs will inevitably be frustrated.

Since my resignation from the Prime Minister's office, I have led the Commission on Shared Growth for Large Corporations and SMEs. The Commission is a private organization that encourages large corporations to give back voluntarily to SMEs their fair share of profits. Its activities, however, have repeatedly run into furious resistance from chaebol enterprises (large conglomerates). The task of persuading them to abstain from their greedy practices has never been easy. I have passed on the stories I collected from people in SMEs to the executives of chaebol enterprises and brought the issue to the public's attention through over 200 lectures and letters and interviews with the media. The Commission has done a considerable amount of work, but there still remains more to be done. I strongly hope that the Commission's activities will instill a compassionate mentality into South Korea's economic system and serve as an innovative policy that catalyzes entrepreneurial activities in the SME sector.

Many friends around the world, especially those in developing countries, are calling on and looking to South Korea to share the experiences and know-how that we have accumulated as we strove to climb out of economic hardship during the past half century.

In the recent G20 Summit, South Korea led initiatives to enhance the international development aid model. In addition to assisting struggling countries with funds and materials, or the hardware, South Korea has also emphasized the provision of the software for economic development such as strengthening public education, creating efficient economic development and infrastructure plans, and building social welfare networks.

To nations that share South Korea's economic concerns such as the polarization of economic classes, weak domestic demand, insufficient number of jobs, and need for the dissemination of true entrepreneurship, the efforts of my Commission will serve as an example of support for entrepreneurs.

It is my strong hope that Saudi Arabia will join and help South Korea in positively impacting the global economy and policy-making and, particularly, in promoting entrepreneurship. I also hope that South Korea and Saudi Arabia will become sharers of hope and vision to the rest of the world.

In 1929, Rabindranath Tagore, the great poet and writer of India, wrote a poem that inspired many Koreans. It is titled "The Lamp of the East":

In the golden age of Asia,
Korea was one of its lamp-bearers,
And that lamp is waiting to be lighted once again,
For the illumination in the East.

In the next 50 years, I strongly hope and know that South Korea will make our past, present, and future friends proud by being the brightly lighted lamp of the global community-always willing and able to lend a helping hand to friends in need inside and outside the country. I also hope that we will be accompanied by another bright light here in Saudi Arabia that will be fueled by your integrity, openness, confidence, and compassion.

With that, I would like to conclude my speech today. Thank you very much for your time.